

READING FILE.

Service Date: October 21, 1981

DEPARTMENT OF PUBLIC SERVICE REGULATION
MONTANA PUBLIC SERVICE COMMISSION

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IN THE MATTER of The Application of)
the Town of Ekalaka to Increase Water) Rates.)

DOCKET NO. 81.4.58

PROPOSED ORDER NO. 4850

APPEARANCES

FOR THE APPLICANT:

Alyce Kuehn, Town Clerk, Town of Ekalaka, Ekalaka, Montana
59324

FOR THE INTERVENORS

Frank Buckley, Rate Analyst, Montana Consumer Counsel, 34
West Sixth Avenue, Helena, Montana 59620

FOR THE COMMISSION:

Robert Nelson, Staff Attorney, 1227 11th Avenue, Helena,
Montana 59620

BEFORE:

Thomas J. Schneider, Commissioner & Hearing Examiner

The Hearing Examiner, having taken evidence and being fully
advised in the premises, makes the following Proposed Findings of
Fact, Conclusions of Law, and Order:

FINDINGS OF FACT

1. On April 14, 1981, the Town of Ekalaka (Applicant or
Town) filed an application for authority to increase water rates
resulting in an annual revenue increase of approximately \$20,200.

2. On August 13, 1981, pursuant to notice of public hearing, a hearing was held in the Carter County Courthouse, Ekalaka, Montana. The purpose of the public hearing was to consider the merits of the Applicant's proposed water rate adjustments.

3. At the public hearing the Applicant presented the following witnesses:

Alyce Kuehn, Town Clerk
Vernon Silvas, Water Superintendant

These witnesses testified relative to the increases experienced in operation and maintenance expense, the need for proposed capital expenditures and the estimated cost of the proposed capital expenditures.

4. The Montana Consumer Counsel presented the testimony of one public witness. Gladys Taylor, a subscriber on the Town water system, expressed concern regarding the magnitude of the proposed rate increase and the effect that the proposed increase would have on fixed-income subscribers. Ms. Taylor stated that she would not be opposed to a reasonable increase in rates.

5. The Town's exhibits indicate that the Town anticipates increases in operation and maintenance expense of \$3,750. The Town also proposes funds for capital expenditures amounting to \$12,500 annually over those experienced in fiscal year 1981.

6. The Town's proposed increase in operation and maintenance expense is mainly attributable to increased costs of power and a more equitable distribution of the salary expense of the Water & Sewer Superintendant and the Town Clerk. Examination of

the Town's workpapers indicates that the Town has allocated 9 months of the Water and Sewer Superintendant's salary to water and 3 months to sewer, resulting in a \$2,400 increase to the water utility over FY 1981. The Town has allocated \$200 per month of the Town Clerk's salary to the water fund, and none to the sewer fund. The Commission finds this latter allocation inappropriate, since work time is devoted to both the sewer and water funds. The Commission further finds that the Town should allocate the utility's portions of the Clerk's salary on the same basis as the Water and Sewer Superintendant's, resulting in an increase to the water utility of \$1,200 over FY 81.

7. Based upon Finding of Fact No. 6, the Commission finds that the proposed \$3,750 increase in operation and maintenance expense is reasonable.

8. The Town has proposed that the Commission allow \$12,500 annually for capital expenditures. The testimony in this docket indicates that the funds for capital expenditures would be utilized as follows: 1)\$3,500 for the rejuvenation of an old well to insure adequate capacity in the event of an emergency, 2)\$5,000 for the replacement of a section of 4 inch main that is chronically breaking and 3)\$4,000 for a depreciation reserve that would be utilized to make unspecified capital improvements to the current water system. Items 1 and 2 would be capital expenditures that would be of a non-recurring nature; therefore, it would be imprudent for the Commission to grant recurring revenues to fund these

items. The funds requested in item 3 would be of a recurring nature and would be utilized to maintain the integrity of the current water system; however, granting funds to be placed in a reserve account for unspecified capital expenditures would be bad regulatory policy.

9. The Commission recognizes the Town's need to insure adequate water supply to consumers and, therefore, finds it appropriate to approve funds in the amount of \$3,500 to rejuvenate the water well. The funds necessary to rejuvenate the well should be generated over a one year period, after which time rates could will be reduced to reflect a \$3,500 reduction in the Town's revenue need.

10. The funds requested in items 2 and 3 (Finding of Fact No. 8) are both intended for the same purpose--that is to provide funds for capital improvements to the current system. It would be inappropriate for the Commission to approve such duplication. The Town has outlined a present need of \$5,000 for capital expenditures to adequately maintain the existing system and in all probability will continue to need funding at this level for recurring capital improvements. The improvement outlined in Finding of Fact 8 item 3 was the improvement of immediate concern. The Town also outlined the need for additional improvements to the water system (meters, fire hydrants and other mainline improvements) which is 80% original installation. The Commission therefore finds that the Town has an annual revenue need of

\$5,000 for recurring annual capital improvements, and disapproves the accumulation of a depreciation reserve.

11. Based upon Findings of Fact 7, 9 and 10, the Commission finds that for a period of one year after issuance of the final order in this docket the Town has a revenue need of \$35,000. For subsequent years, the Town's revenue need is \$31,500. These revenue levels are reasonable and just.

12. At the hearing it was brought to the Commission's attention that certain customers were not metered. The rates proposed by the Town do not contain a flat rate charge for assessment of water charges to unmetered customers. It will be necessary for the Town to file a flat rate charge to cover those customers not having a meter.

13. During the course of the hearing it was determined that a gas station was not classified as a commercial customer. It is not known if other customers of a commercial nature are classified as residential but the Commission based upon this information finds that the Town should define Residential customers as those receiving water service solely for domestic purposes.

CONCLUSIONS OF LAW

1. The Montana Public Service Commission properly exercises jurisdiction over the parties and subject matter in this Docket (MCA 69-3-101, 69-3-302).

2. The Commission afforded all interested persons proper notice of these proceedings (MCA 2-4-601).

3. The Commission is charged to ensure that all rates approved herein are reasonable and just. (MCA 69-3-201).

ORDER

NOW, THEREFORE, IT IS ORDERED that the Town of Ekalaka file tariffs consistent with Finding of Fact No. 11 to yield \$35,000 annual revenues for the one year period following issuance of the final order in this Docket, and to yield \$31,500 for all subsequent years.

IT IS FURTHER ORDERED that the Town file with the Commission a three (3) year improvement program plan, and a semi-annual report detailing progress on the proposed improvements.

IT IS FURTHER ORDERED, pursuant to Section 2-4-621, MCA that this is a proposed order only. Any party has the opportunity to file exceptions to this initial decision. Exceptions and supporting briefs must be filed with the Commission within twenty (20) days from the date of service of this proposed order. Briefs opposing exceptions may be filed within ten (10) days thereafter. Any party may petition the Commission for oral argument within the time allowed for briefs.

DONE at Helena, Montana this 21st day of October, 1981.


THOMAS J. SCHNEIDER, Commissioner-
Hearing Examiner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)